

Tax Rates 2007/08

Income Tax

Tax rates	Note	2007/08	2006/07	
Starting rate band to		£2,230	£2,150	
Tax rate		10%	10%	
Basic rate band – next		£32,370	£31,150	
Non-savings rate		22%	22%	
Savings rate		20%	20%	
UK dividend rate		10%	10%	
Higher rate – taxable income over		£34,600	£33,300	
Higher tax rate		40%	40%	
UK dividend rate		32.5%	32.5%	
Trusts				
Tax rate		40%	40%	
UK dividend rate		32.5%	32.5%	
Allowances that reduce taxable income				
Personal allowance (PA)	Under 65	1	£5,225	£5,035
	65 to 74	1,3	£7,550	£7,280
	75 and over	1,3	£7,690	£7,420
	Blind person's allowance		£1,730	£1,660
Allowances that reduce tax				
Married couple's allowance (MCA)				
Tax reduction	73 to 74	1,2,3	£628.50	£606.50
	75 and over	1,2,3	£636.50	£613.50
The age-related allowances are progressively withdrawn if income exceeds			£20,900	£20,100
Minimum PA			£5,225	£5,035
Minimum MCA tax reduction			£244	£235
Pension Schemes Allowances				
Annual allowance			£225,000	£215,000
Lifetime allowance			£1,600,000	£1,500,000
Tax Shelters				
Enterprise Investment Scheme (EIS) up to			£400,000	£400,000
Venture Capital Trust (VCT) up to			£200,00	£200,000
Golden Handshake max.			£30,000	£30,000
Rent a Room - Exempt on gross annual rent up to			£4,250	£4,250

Notes

1. Ages are as at the end of the tax year. Ages for the MCA relate to the elder spouse or civil partner.
2. MCA is only available to those couples where at least one spouse, or civil partner, was born before 6 April 1935.
3. The higher rates of personal allowance are reduced by £1 for each £2 of excess income over £ 20,900 (2006/07 £20,100) until the basic allowance is reached. Similar limits apply to the married couple's allowance: the loss of tax reduction is 10p for each £2 of excess income until the minimum of £244 (2006/07 £235) is reached. (For couple's married before 5 December 2005, only the husband's income is taken into account. For those married or in civil partnership on or after 5 December 2005 only the higher earner's income is taken into account.)

Corporation Tax

Corporation tax rates and bands are as follows:

Financial Year Commencing	1 April 2007	1 April 2006
Taxable profits		
First £300,000	20%	19%
Next £1,200,000	32.75%	32.75%
On profits over £1,500,000	30%	30%

Value Added Tax

From	1 April 2007	1 April 2006
Standard rate	17.5%	17.5%
VAT fraction	7/47	7/47
Taxable Turnover Limits		
Registration – last 12 months or next 30 days over	£64,000	£61,000
Deregistration – next 12 months under	£62,000	£59,000
Cash accounting scheme – up to	£1,350,000	£660,000
Optional flat rate scheme – up to	£150,000	£150,000
Annual accounting scheme – up to	£1,350,000	£1,350,000

National Insurance Contributions

	Employer	Employee
Class 1 (not contracted out)		
Lower weekly earnings limit	n/a	£87
Payable on weekly earnings		
£100.01 - £670	12.8%	11%
Over £670	12.8%	1%
Men 65 and over	12.8%	Nil
Women 65 and over	12.8%	Nil
Class 1A (on relevant benefits)	12.8%	Nil
Class 1B (on PAYE settlement agreement)	12.8%	Nil
Class 2 (Self employed)		£2.20 per week
Limit of net earnings for exception		£4,635 per annum
Class 3 (Voluntary)		£7.80 per week
Class 4 (*Self employed on profits)		
£5,225 to £34,840		8%
Excess over £34,840		1%

* Exemption applies if state retirement age was reached by 6 April 2007.

Capital Gains Tax

Capital gains tax rates and bands are as follows:

	2007/08	2006/07
Taxed as top slice of savings income		
Individual	10%, 20%, 40%	10%, 20%, 40%
Settlement	40%	40%
Annual exemption		
Individual	£9,200	£8,800
Settlement(s) (spread over total number)	£4,600	£4,400

Transfers between husband and wife, or civil partners, living together are exempt.

Taper relief

For gains realised after 5 April 1998 by individuals or trustees, indexation allowance is frozen and the gain reduced by a tapering relief. The value of the taper relief depends on whether or not the asset is a business asset, and on the number of complete years the asset has been held after 5 April 1998 (with an additional 'bonus' year) for non-business assets held on 16 March 1998.

No. of complete years held after 5 April 1998	Non-Business Asset	Business Asset
	% gain chargeable	
1	100	50
2	100	25
3	95	25
4	90	25
5	85	25
6	80	25
7	75	25
8	70	25
9	65	25
10 or more	60	25

Inheritance Tax

Transfers on or Within 7 Years Before Death		
	2007/08	2006/07
Nil rate band to	£300,000	£285,000
Rate of tax on balance	40%	40%
Chargeable lifetime transfers	20%	20%

Main Reliefs	
Business Property	
• business or interest therein	100%
• qualifying shareholding in unquoted* company	100%
• land, buildings, machinery or plant used by transferor's controlled company or partnership	50%
Agricultural property	50% or 100%
* Unquoted companies includes those listed on AIM	

Main Exemptions

1. Most transfers between spouses and civil partners.
2. The first £3,000 of lifetime transfers in any tax year plus any unused balance from previous year.
3. Gifts not exceeding £250p.a. to any number of persons.
4. Gifts in consideration of marriage or civil partnership of: up to £5,000 by a parent, up to £2,500 by a grandparent, or up to £1,000 by any other person.
5. Gifts made out of income that form part of normal expenditure and do not reduce the standard of living.
6. Gifts to charities, whether made during lifetime or on death.